

**MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF DIRECTORS  
OF THE BETHLEHEM AUTHORITY**

**AUGUST 20, 2009**

The regular meeting of the Board of Directors of the Bethlehem Authority was held on August 20, 2009 in Conference Room B504, 10 E. Church Street, Bethlehem, PA. The meeting was called to order at 3:30 PM by Chairman Mark Jobes, with the following in attendance:

Richard Master, Secretary  
Vaughn Gower, Treasurer  
Leo DeVito, Esq.,  
John Filipos, Controller  
Stephen Repasch, Executive Director  
Sandra Reppert, Administrative Assistant  
Daniel Meixell, Special Officer

**APPROVAL OF MINUTES**

Chairman Jobes presented the minutes from the regular meeting held July 9, 2009 as circulated. Mr. Gower moved to approve the minutes from the July 9 meeting. Mr. Master seconded. Motion passed unanimously.

**RECOGNITION OF VISITORS / COURTESY OF THE FLOOR**

Chairman Jobes recognized:

- Jeffrey Andrews, City of Bethlehem
- Stephen Antalics, Bethlehem resident
- Meg Holland, City of Bethlehem Controller
- Don Oaks, Authority Forester
- Bud Cook, The Nature Conservancy
- Terry Faul, Esq., of King, Spry, Herman, Freund & Faul
- Members of the Press

**REPORT OF THE CHAIRMAN**

**Financial Planning Effort – Update**. Chairman Jobes provided an update on the financial planning effort, which is moving forward. He, Mr. Gower and Mr. Repasch had a conference call this morning with PRAG, the Authority's financial advisor. There is the possibility of replacing the Debt Service Reserve Fund (DSRF) with a surety bond, which is good news. The bad news is the cost is rather expensive – almost 6% of the outstanding balance of ~\$8 million. Also, the earnings of 4.5% to 5% that are generated from the DSRF would be lost. At this point, it is an expensive option.

Another possibility discussed in prior meetings with the City was a line of credit (LOC). PRAG has been talking to national banks about offering a \$6 to \$8 million LOC to help address the capital needs into 2014, with the idea that there is flexibility in 2014 to refinance debt if necessary. The LOC is without the City's guarantee. We hope to hear back from the various banks in the next week or two. This is a less costly solution. An LOC can be drawn down as needed to fund prioritized capital improvements. Once we receive feedback from the banks on the LOC plan, all parties will meet again on a course of action.

Mr. Gower said the LOC appears to be the preferred option, but there are still some barriers to overcome. At least the focus is now on this one option, which allows the Authority to have the next series of discussions with the City and its representatives and hope they are in agreement.

Mr. Repasch added this issue can't drag on. The BRIF balance is gradually dwindling toward the \$2 million minimum. Whatever is decided needs to be done in the next three to four months.

Chairman Jobs agreed that it is critical to have a plan in place in the next months, especially since budget preparations are now in progress. This is the Board's top priority and there will be an update next month.

## **REPORT OF THE EXECUTIVE DIRECTOR**

**Workers Compensation Insurance.** Approximately one month ago, Mr. Repasch circulated information to the Board regarding the cancellation of the Authority's workers compensation insurance with Selective Insurance due to a negative loss history (two accidents in the first three years). Our insurance agent, TJ McHale, conducted a search for other workers compensation carriers offering the same coverage. The best quote received, and cheaper than previous years' premiums, was from National Union, a subsidiary of AIG. The Board authorized Mr. Repasch to sign the necessary documents to submit to National Union, since the date of cancellation with Selective is August 23. The new policy with National Union is in place. This action needs ratification.

Mr. Gower moved to ratify the placement of the Authority's workers compensation insurance with National Union as previously approved and discussed. Mr. Master seconded. Motion passed unanimously.

**Wind Energy Project – Update.** Mr. Repasch reported that the Authority is still working with Delsea Energy on its potential wind farm project. Also, the Authority was contacted by another wind energy provider, Iberdrola USA (a subsidiary of the Spanish company Iberdrola, the largest wind energy contractor in the world). Iberdrola is looking for properties to build wind farms and seem to be interested in working with the Authority. What they can do and provide needs to be evaluated as well, if the Board is willing to go forward. Tomorrow, he and two Board members are touring Iberdrola's wind farm at Locust Ridge in Mahanoy Township. Two adjacent wind farm projects at Locust Ridge are on watershed property, similar to what has been proposed to the Authority. He feels it's a good idea to talk to the Mahanoy Township Authority on how they dealt with the issues that we would be facing if we would pursue a wind energy project. He will work on coordinating another date to tour the wind farm for those members who cannot attend tomorrow.

Regarding the search for a consultant to evaluate wind energy proposals, he has found Broadlands Financial from the Villanova area. They have a very good financial background in alternative energy projects on the East Coast. The references who were contacted had very positive and favorable feedback. No decision has been made yet, but their scope of services would be to evaluate proposals to the Authority

from wind energy providers, and then provide the Authority with a recommendation as to which proposal is in its best interests.

**New Legislation on Prescribed Burns.** Mr. Repasch reported that in mid-July, Officer Meixell brought to his attention new legislation on prescribed burns that went into effect which significantly reduces a property owner's liability. In the past, the Authority Board considered a conservation easement proposal from The Nature Conservancy (TNC), but part of that proposal included prescribed burns. The Board did not accept TNC's proposal because of the liability risk. The Authority Solicitor's office reviewed this new legislation.

Mr. DeVito passed out a memo and explained that the act becomes effective 60 days from the middle of July. In particular, within the 60 days, regulations will be developed by the Department of Conservation and Natural Resources. The most significant part of the act deals with liability. If a prescribed burn is contracted, and the rules and regulations are followed, a landowner will not be liable if something goes awry unless negligence is shown. The act includes fire and/or smoke. If the Authority wants to do prescribed burn, it must make sure the minimum amounts of insurance are in place and indemnities for double protection. It is apparent the State believes prescribed burns are beneficial to wooded environments and this new act supports that belief. There is a 60 day public comment period as well.

Mr. Repasch noted that a co-sponsor of this new legislation was (local) State Representative Joe Brennan. TNC was also instrumental in lobbying for this legislation.

Bud Cook commented that an important aspect of this legislation is establishing standards and regulations for prescribed fire and qualifications for the people who perform it. TNC has been lobbying State agencies to adopt these standards, which are as close as practical to the highest standards set by National Fire Coordinating Group. The PA Prescribed Fire Council, which includes the Bureau of Forestry, Game Commission, TNC, several forestry associations and other entities, have been doing prescribed fires. It's a big step forward for establishing high standards for safe burning. As mentioned, it greatly reduces the liability for landowners and agencies, unless negligence is shown.

Mr. Master commented that approximately eight years ago, prescribed burning was the reason the Board rejected TNC's proposal for a conservation easement. At that time, the Board was advised that TNC had done prescribed fires, some did go out of control, and that liability was something the Authority could not be subjected to. There were also questions as to whether the prescribed fires were beneficial, but that aspect was not investigated.

For the record, Mr. Cook said TNC had no fires burn out of control; it was other agencies. Mr. Master responded that TNC is a large international organization, and while the local TNC area had no such troubles, information presented during our discussions several years ago indicated that there were other issues in other areas.

Chairman Jobes queried Don Oaks for his comments on prescribed burns. Mr. Oaks responded it depends on the intended goal of the landowner. Essentially, fire keeps vegetation at the early stages of cessation. In the past, the Pocono area was burned for blueberries. When the Board tours the area of the Locust Ridge wind farm, they should take note along Interstate 81, where approximately 20 years ago there were no trees, and now there are. That was the result of a fire prevention program that allowed the forest to enter the later stages of cessation. The Bureau of Forestry has been utilizing fire in trying to stimulate oak regeneration. Oak can withstand fire because they have buds clustered at the root crown. Maple, ash, and poplar are very easily killed by fire. On one side of the Tunkhannock Creek in the watershed, there is an early cessation scrub oak forest, and on the other side there is an Allegheny hardwood forest (cherry,

maple, and other species). The creek was the boundary of the heavy burning in the past. Again, it's whether an early cessation or high forest is desired.

Chairman Jobes concluded the Board will stay on top of this issue and discuss it more in the future.

**Forestry Management Plan Update.** Mr. Repasch reported that he's been working on details, specifically the type of cut, for a Request for Proposal (RFP) for a stand in the Wild Creek area. He is also in the process of developing an RFP for Stand 50 in the Tunkhannock Watershed area. It is expected these will be complete by the September meeting.

### **3<sup>rd</sup> Quarter 2009 Expense Projection and Budget Comparative**

Income and Expense Projection for the 3<sup>rd</sup> Quarter 2009:

- Cash on Hand at August 1 - \$436,640.00
- Revenues Receivable – \$97,410.00 for the 3<sup>rd</sup> Quarter
- Total Projected Professional, Administrative and Police Expenses - \$113,665.00 overall for the 3<sup>rd</sup> Quarter
- Total Projected Cash on Hand at the end of the 3<sup>rd</sup> Quarter - \$444,455.00

Financial advisory fees are most significant due to PRAG's work on the financial plan. The other legal fees are mostly related to the PUC territory expansion effort.

Expense Budget Comparative for the 7 months ended July 31:

- Professional Services – \$87,848.00, 59% of budget and slightly over due to financial and legal fees.
- Security and Property Expenses – \$10,058.00, 29% of budget.
- Administrative Expenses – \$122,687.00, 52% of budget.
- Overall – \$220,594.00, 53% of budget and doing fairly well. Financial and legal fees will most likely be over budget at year end.

Chairman Jobes queried the arbitrage payment issue coming up and where the funds will flow through. Mr. Repasch responded the due date is 60 days after August 19. There is currently \$216,000.00+ in a BRIF sub-account and the remainder is in the City's Water Fund budget, believed to be \$150,000.00. Only 90% of the arbitrage is due. The money is in hand to cover the payment. A preliminary report was submitted by Dobbs Ram in July and a final report will be issued once they receive the remaining required information.

Before concluding his report, Mr. Repasch informed the Board of the sudden passing of Mr. Dick Van Noy, a Tunkhannock Township Supervisor who the Authority worked closely with on some issues in the township. Condolences were sent on behalf of the Authority Board.

### **REPORT OF THE CONTROLLER**

Mr. Filipos' report for the month ended July 31, as circulated and filed, was accepted without comment. He noted the City sent in the money for the Emmaus Loan principal payment of \$535,000.00 due August 1.

**Resolution 306 – Approval of Professional and Administrative Expenses.** Ms. Reppert presented Resolution 306, as circulated and filed, to the Board for approval. The total amount is \$225,171.15 and consists of the following:

- Requisition 295 - City's water capital invoice totaling \$170,163.22
- Professional and Administrative expenses totaling \$55,007.93

Chairman Jobes queried the Malcolm Pirnie charges on the City's water capital invoice. Mr. Repasch responded they are engineering fees for the backwash project. Mr. Andrews added there has only been project administration work remaining and approximately \$2,000.00 is still outstanding and payable.

Mr. Master moved to approve Resolution 306. Mr. Gower seconded. Motion passed unanimously.

### **Ratification of Investments**

**BRIF CD.** A CDARS investment with Team Capital Bank in the amount of \$2,002,687.21 matured on August 6. Because the CDARS rates for 13- and 26-week investments were low (.35% and .45%) compared to PLGIT's weekly rate (.60%), the recommendation circulated to the Board was to invest the money in the PLGIT I-Class account at least until long-term interest rates improve. This action needs ratification.

Mr. Gower moved to ratify the investment of \$2,002,687.21 into the PLGIT I-Class account. Mr. Master seconded. Motion passed unanimously.

Chairman Jobes queried the CD's that are due to mature in October. Ms. Reppert responded that the six CD's mature on October 5 and 6 totaling approximately \$1.22 million. He said there is time to plan on re-laddering the CD's, or if PLGIT rates are better, move the monies to the liquid PLGIT account.

### **REPORT OF THE SOLICITOR**

Mr. DeVito had nothing to report.

### **REPORT OF THE CONSULTING ENGINEER**

There is no report filed. Mr. Repasch indicated they are waiting to set up a meeting with the City to discuss the logistics of the 2009 report and inspections coming due, as well as the grant project that the City will be starting. He also has a meeting next week with a representative from Barry Isett & Associates to discuss grant possibilities for the Watershed.

Chairman Jobes queried the City's H2OPA Grant project. Mr. Repasch responded the \$275,000.00 grant is for infrastructure repairs desperately needed throughout the water distribution system. The City will have to spend the money and then get reimbursed from the State.

## **REPORT OF BETHLEHEM AUTHORITY SPECIAL POLICE**

With regard to prescribed burns and how the topic came about, Officer Meixell informed the Board that the Game Commission is currently preparing 60 acres of its land, adjacent to the eastern boundary of Authority land, for a prescribed burn. TNC will be administering the burn, and he will be contacted by the Game Commission when the burn is set to take place. Also, due to all the rain this year, the fire lanes in the Watershed are growing shut, but the City has a crew working on re-opening them.

## **WATER REPORT**

The Water Report for the month of July 2009, as filed, indicates the reservoirs are at 100.04% capacity. The report was accepted.

## **CITY OF BETHLEHEM DIRECTOR OF WATER AND SEWER RESOURCES**

In Mr. Brong's absence, Mr. Repasch reported the following on the Water Fund as of July 31:

- \$9.9 million in receipts against a revenue plan of \$10.4 million, or ~\$511,000.00 behind plan. Spending is ~\$545,000.00 below plan. The net affect is favorable .
- Cash balance in Water Fund is \$2.52 million against plan of \$2.52 million.
- Invoicings are \$10.27 million and behind plan by ~\$125,000.00
- Residential users are ahead of plan by ~5%; all other customer classes (industrial and commercial) are behind plan by ~30%. Given the economy, this is understandable.

**PUC Territory Expansion.** The City was not awarded the grant for the extension of the distribution system eastward into Bethlehem Township. The entire cost of the extension, ~\$5.5 million, would have been borne by St. Luke's, who did not look favorably on funding such a large expense to get Bethlehem water. The City will now petition the PUC to negotiate a reduced expansion along with ESWA to arrive at a joint solution amenable to both parties.

Chairman Jobs queried Allen and East Allen Townships. Mr. Repasch responded that the developer who originally petitioned for Bethlehem water in Allen Township had to use Northampton because of related sewer issues. There is the potential for some other areas in Allen Township, but nothing significant. The City is still working with East Allen Township. They have some internal issues with their water authority and are trying to get past some obstacles. They do see the benefits of pursuing an agreement with the City for water service to some developments in the township.

Mr. Master queried if East Allen has formally participated in the case so their desires are known, and will it influence the outcome. Mr. Repasch responded they have participated but he doesn't believe it will have any influence. The Bethlehem Township expansion was the main focus of the PUC territory expansion.

Chairman Jobs queried the litigation process and where it stands now. Mr. Repasch responded he believes the City's attorney is petitioning the PUC for a smaller territory in Bethlehem Township.

Mr. Master queried if the Bethlehem Township territory is for developments that the City can serve more economically. Mr. Andrews responded the Bethlehem Township development, which is Ashley, abuts against the City's territory. There are three mains ready to feed the development and it is the only territory

being petitioned. ESWA would have to extend its water main to serve Ashley. It is felt the City has a fairly strong position in serving the Ashley development.

#### **OTHER BUSINESS**

None.

#### **COURTESY OF THE FLOOR**

None.

#### **NEXT MEETING DATE**

Chairman Jobes indicated that the next meeting is scheduled for September 10, subject to confirmation of a quorum.

#### **ADJOURNMENT**

There being no further business, Chairman Jobes moved to adjourn the meeting. Mr. Master seconded. Motion passed unanimously and the meeting adjourned at 4:20 PM.

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Richard L. Master, Secretary